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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 17, 1999

PETITION OF

CASE NO. PUA980053

AQUASOURCE UTILITY, INC.

For approval to acquire control of Water
Distributors, Inc., Mountainview Water
Company, Inc., Rainbow Forest Water
Corporation, and Mayfore Water Company, Inc.

ORDER GRANTING APPROVAL

On December 30, 1998, AquaSource Utility, Inc., (“AquaSource”, the “Company”) filed a petition under the Utility Transfers Act requesting approval for AquaSource to acquire from Dewey E. Holdaway and Margaret A. Holdaway (the “Holdaways”), all the issued and outstanding stock of Water Distributors, Inc., (“Water Distributors”), Mountainview Water Company, Inc., (“Mountainview”), Rainbow Forest Water Corporation (“Rainbow Forest”), and Mayfore Water Company, Inc. (“Mayfore”), (collectively the “Water Companies”). The Holdaways collectively own all of the issued and outstanding stock of the Water Companies. Water Distributors, Mountainview, and

Rainbow Forest are certificated small water companies. Mayfore is not a certificated water company pursuant to § 13.1-620 G of the Code of Virginia. On February 25, 1999, the Commission issued its Order Extending Time For Review through June 29, 1999.

AquaSource Utility, Inc. is a wholly-owned subsidiary of AquaSource, Inc., which is in turn a wholly-owned subsidiary of DQE, Inc., a publicly traded utility holding company. In addition to water and wastewater utilities, AquaSource and AquaSource, Inc., also own non-regulated water and wastewater related businesses such as construction and engineering companies, water and wastewater system leasing and fabrication businesses, and contract operation services for other owners of water and wastewater facilities.

AquaSource and AquaSource, Inc., (the “Companies”) received approval from their Boards to invest over \$200 million in water and wastewater utility companies. The Companies provide potable water and wastewater services to more than 300,000 customers and are currently negotiating to acquire numerous additional water utilities across the country, including Virginia. AquaSource is headquartered in Houston, Texas and has several other offices in various areas of the country.

DQE, Inc., the parent company of AquaSource, Inc., is a Pennsylvania based energy service company and parent of Duquesne Light Company, a regulated electric utility providing service in Pennsylvania. DQE, Inc., has assets of more than \$4.6 billion and annual revenues in excess of \$1.2 billion. AquaSource and AquaSource, Inc., report their financial data on a consolidated basis with DQE, Inc.

AquaSource proposes to purchase, and the Holdaways propose to sell to AquaSource, all of the issued and outstanding stock of the Water Companies. As stated in the petition, upon consummation of the transaction, the Water Companies will become wholly-owned subsidiaries of AquaSource and will continue to operate as separate small water companies. Additionally, AquaSource will provide operation, maintenance, and other services to the Water Companies by contract. As agreed by AquaSource and the Holdaways, AquaSource will pay the Holdaways \$1,535,550.00 in cash for the Water Companies' stock, as adjusted pursuant to the Stock Purchase Agreement.

AquaSource represents that adequate service at just and reasonable rates will not be impaired or jeopardized by the proposed transfer of control of the Water Companies. AquaSource further represents that the acquisition will benefit the Water Companies' customers in that AquaSource plans to provide system improvements without a change in the current water rates.

THE COMMISSION, upon consideration of the petition and representations of the Company and having been advised by Staff, is of the opinion and finds that the above-described transfer of control will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should be approved. Accordingly,

IT IS ORDERED THAT:

1) Pursuant to § § 56-88.1 and 56-90 of the Code of Virginia, AquaSource Utility, Inc., is hereby granted approval to acquire control of Water Distributors, Inc., Mountainview Water Company, Inc., Rainbow Forest Water Corporation, and Mayfore

Water Company, Inc., under the terms and conditions and at the price of \$1,535,550.00, as adjusted pursuant to the Stock Purchase Agreement described herein.

2) The approval granted herein shall have no ratemaking implications.

3) The Company shall file a Report of Action with the Director of Public Utility Accounting of the Commission on or before August 31, 1999, subject to extension by the Commission's Director of Public Utility Accounting. Such report shall contain the date of transfer, the sales price, and all accounting entries reflecting the transfer.

4) Any excess earnings resulting from operational efficiencies or cost reductions shall be at issue in any filings or proceedings addressing rates.

5) The approval granted herein shall in no way be deemed to include the recovery of any portion of the consideration paid in excess of the net plant, at the time of closing, through either an acquisition adjustment or any other type of adjustment for ratemaking purposes.

6) There appearing nothing further to be done in this matter, the same be, and it hereby is, dismissed.